

# Financial Aid: What You Need to Know

**Presented by:**

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# Presentation Topics

- What is financial aid?
- Financial need calculation
- Types and sources of aid
- Free Application for Federal Student Aid (FAFSA)
- Federal methodology
- Notification of aid eligibility
- Next steps



# What is Financial Aid?

- Financial Aid consists of funds provided to students and families to help pay for postsecondary educational expenses
- The philosophy of the federal government is that parents have a responsibility to assist with college expenses



# What is Financial Need?

Cost of Attendance

— Expected Family Contribution

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= Student's Financial Need



# Cost of Attendance (COA)

## Direct Costs

- Tuition and Fees
- Room and Board (Meal Plan)

## Indirect Costs

- Books and Supplies
- Transportation
- Personal Expenses



# Expected Family Contribution (EFC)

- Parental Income
- Parental Assets
- Student Income
- Student Assets



# What is Financial Need?

Cost of Attendance

— Expected Family Contribution

---

= Student's Financial Need

**\*Financial aid can be need-based & non-need based**



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# Types of Aid Available





# Categories of Aid

## Gift Aid (no repayment required)

- Grants
- Scholarships

## Self Help (work for \$\$ or borrow)

- Loans
- Employment



# Sources of Aid

- Federal
- State
- Institutional
- Private



# Federal Pell Grant

- EFC determines eligibility (EFC must be less than approximately 5,400)
- Award amount based upon enrollment status and school costs
- Maximum annual award for the 2019-2020 academic year was \$6,195
- These numbers change each year subject to the department of education



# Other Federal Grants

- Iraq and Afghanistan Service Grant
  - amount matches pell grant maximum
- TEACH Grant
  - \$4,000 maximum a year that turns into a loan if the teaching requirement isn't fulfilled after graduation
  - Voluntary program for colleges



# Federal Loans

## Federal Direct Loan

(fixed interest rate & small origination fee)

- Student is borrower
- Subsidized (need-based)
- Unsubsidized (non-need-based)
- No credit check or cosigner
- Lender is U.S. Department of Education
- Annual loan amount based on grade level

Freshman            \$5,500

Sophomore        \$6,500

Junior/Senior     \$7,500 each year



# Federal Loans

## Federal Direct PLUS Loan (fixed interest rate)

- Loan program for parents of dependent undergraduate students
- Repayment is immediate though deferment option is available while student is enrolled
- Non-need-based
- Credit check involved
- Lender is U.S. Department of Education
- Can borrow COA minus financial aid
- Origination fee
- FAFSA application required



# Campus-Based Aid

- **Federal Work-Study**
- **Federal Supplemental Educational Opportunity Grant (SEOG)**



# State Grant

## PA State Grants

- Program managed by PHEAA (Pennsylvania Higher Education Assistance Agency)
- PA residents enrolled at least half time
- Eight full-time semesters of eligibility
- Complete a State Grant Form (SGF) online in addition to FAFSA
- PHEAA will contact students electronically with more information on SGF
- Maximum amount is currently \$4,122 per academic year (maximum varies depending on school cost)





# Institutional Aid

- College grants, scholarships, or work
- Some schools require institutional application
- Meeting deadlines is essential in maximizing aid options



# Private Sources

Some examples:

- Service/Fraternal Organizations
- Parent Employers/Businesses
- Churches/Religious Groups
- High Schools
- Foundations

Computer searches (free):

- [www.finaid.org](http://www.finaid.org)
- [www.collegeboard.org](http://www.collegeboard.org)
- [www.fastweb.com](http://www.fastweb.com)



# Application Process



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# Applying for Aid

## **Free** Application for Federal Student Aid (FAFSA)

- A standard form provided by the federal government that collects demographic and financial information about the student and family.
- Information provided is used to calculate the EFC.
- Used to apply for state, federal, & college aid
- For the 2020-2021 academic year, apply beginning October 1, 2019
- Apply via the web at [www.fafsa.gov](http://www.fafsa.gov)



# Applying for Aid

- Create an FSA ID when filing the FAFSA on-line
- A web worksheet is available for assistance with applying online and is available at most colleges, libraries and guidance offices
- Ten schools may be listed if file on-line (only four on paper application)
- For the 2020-2021 academic year – report 2018 tax information
- Use IRS data retrieval tool to populate tax information
  - Not available in some cases (amended or foreign return, married filing separately, identity not confirmed)



# **Independent Students (no parental information on FAFSA)**

- **At least 24 years old by December 31 of award year covered by the FAFSA; Born before January 1, 1996**
- **Graduate or professional student;**
- **Married;**
- **Have children or dependents (other than a spouse) for whom the student provides more than half support;**
- **At any time since age 13, both parents were deceased, student was in foster care, or was a ward of the court;**



# Independent Students (no parental information on FAFSA) cont'd...

- Veteran of U.S. Armed Forces or currently serving on active duty (for other than training purposes) in the U.S. Armed Forces;
- An emancipated minor or in legal guardianship as determined by a court in student's state of legal residence;
- Unaccompanied youth who was homeless or was self supporting and at risk of homelessness.

**\*\*\*Students who do not meet any of the criteria on these two slides are considered dependent students for financial aid purposes and MUST provide parental information on the FAFSA.**



# Dependent Students

- Must provide parental data on FAFSA regardless of parent willingness or ability to pay
- A parent is an adoptive or biological parent; a stepparent is considered a parent if married to the adoptive or biological parent
- A legal guardian or foster parent is not a parent for financial aid purposes
- In a divorce situation, information for the parent that the student lived with the most during the 12 months prior to completion of the FAFSA is provided. If this parent is remarried then the stepparent's information needs to be included as well.





# Dependent Students cont'd

- If the parents are not legally married but are living together, information for both parents must be reported on the FAFSA
- Legally married couples information must be provided for both parents/stepparents



# Data requested on FAFSA

- Demographic information
- Household size/number in college
- For both student and parent:
  - Income earned from work, AGI, taxes paid
  - Untaxed income
  - Cash, investment, and business value
- College and housing information
- Signatures (FSA ID serves as electronic signature)



# FAFSA Processing Results

- Central Processing System sends Student Aid Report (SAR) to student to review
- Information also sent to schools listed on FAFSA
- If necessary, make corrections to FAFSA at same website: [www.fafsa.gov](http://www.fafsa.gov)



# Application Tips

- Complete other applications as required by each institution (CSS Profile, institutional applications)
  - College Scholarship Service CSS Profile managed by College Board to apply for aid from colleges (not federal aid)
  - Online application process for a fee ([www.collegeboard.org](http://www.collegeboard.org))
  - Collects more detailed household information
- Do not wait to be accepted for admission to apply for financial aid
- FAFSA Forecaster available on [www.fafsa.gov](http://www.fafsa.gov) to get an idea of eligibility prior to filing official FAFSA in senior year.



# Federal Methodology

**This is the formula created by Congress to determine the EFC.**



# Federal Methodology

- Parent Contribution
- Student Contribution

**\*\*Based on 2020-2021 Formula for a  
Dependent Student**



# Federal Methodology

## Parent Income

- Earnings from work
- Other taxable income
- Untaxed income
  - \* (i.e. untaxed withdrawal from pension/IRA; payments to tax-deferred pensions; child support received)
- See FAFSA untaxed income section for all sources
- Many sources of untaxed income are now excluded



# Federal Methodology

## Parental allowances against income

- Federal, state, social security taxes
- Employment expense allowance (maximum of \$4,000)
- Income Protection Allowance (i.e. 4 in family, 1 in college: \$27,540)

**Income – Allowances = Available Income**





# Federal Methodology

**Parental contribution from assets**

**Net worth of investments and/or business plus  
cash, savings, and checking minus Asset  
Protection Allowance X .12**



# Federal Methodology

Parental Contribution (PC)

$$\begin{aligned} & \text{Available Income} \\ + & \text{Contribution from Assets} \\ = & \text{Adjusted Available Income (AAI)} \end{aligned}$$

**% of AAI / # in college = Parent Contribution**



# Federal Methodology

## Student Income

- Earnings from work
- Other taxable income
- Untaxed income\*

**\*See FAFSA untaxed income section for all sources**



# Federal Methodology

## Student allowances against income

- Federal, state, social security taxes
- Income Protection Allowance: \$6,420

**Income – Allowances = Available Income**



# Federal Methodology

**Student contribution from assets**

**Net worth of investments and/or business plus cash, savings, and checking X .20.**



# Federal Methodology

## Student Contribution (SC)

Available income x .50% = income contribution

**Income contribution**

**+ Asset contribution**

**= Student Contribution**



# Federal Methodology

Student Contribution (SC)

+ Parent Contribution (PC)

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= Expected Family Contribution (EFC)

If multiple children in a family are enrolled in college at the same time, a FAFSA form must be completed for each.



# What Next?

- **Once a student is accepted and a FAFSA has been received by the schools, an award letter will be sent from each school that details financial aid eligibility**
  - This may happen earlier with being able to file the FAFSA in October
- **This is the first look at the actual cost of attending that college/university**
  - Initial award letters may be based on estimated costs given the earlier awarding timeframe





# Comparing Award Letters

- Compare “apples to apples” using consistent cost and aid amounts
- Remember the difference between gift aid and self-help aid as you develop your comparison worksheet
- Use “bottom line” to determine value and affordability



# Comparing Award Letters

- Consider annual aid renewal criteria
- Avoid comparing the aid award with what the student down the street received (many variables affect awards)
- Inform the Office of Financial Aid when special circumstances occur.
- Can you afford the price of four years and not just one with tuition increases each year? Find out if college grant assistance increases from year to year.



# Comparing Award Letters (Example – Part One)

	<u>School A</u>	<u>School B</u>	<u>School C</u>
Cost	\$20,000	\$35,000	\$50,000
-EFC	7,000	7,000	7,000
Need	13,000	28,000	43,000
Pell Grant	0	0	0
State Grant	3,200	4,340	4,340
Scholarships	9,000	15,000	24,000
Sub Direct Loan	800	3,500	3,500
Unsub Direct Loan	4,700	2,000	2,000
Work Study	0	2,000	2,000
Total Aid	17,700	26,840	35,840



# Comparing Award Letters

## (Example – Part Two)

	<u>School A</u>	<u>School B</u>	<u>School C</u>
Cost	\$20,000	\$35,000	\$50,000
EFC	7,000	7,000	7,000
Need	13,000	28,000	43,000
<u>-Total Aid</u>	<u>17,700</u>	<u>26,840</u>	<u>35,840</u>
Remaining Need	0	1,160	7,160
Max PLUS loan	2,300	8,160	14,160

NOTE: EFC and remaining need can be met through PLUS or private loans, a college payment plan, prepaid tuition plans, other family savings, outside scholarships, home equity loan, etc.



# Payment Possibilities

## Tuition Payment Plans

- Typically interest free
- Divides costs into monthly payments
- Small application fee
- Institutional or private programs
- Enables use of monthly income to pay balance and not loans.



# Payment Possibilities

## Alternative/Private Loans

- Educational loans through banks
- Student is usually the borrower (co-signer required in this economy); credit check must be passed
- Repayment typically deferred
- Fees & interest rates vary
- Max out federal loans first (consider PLUS and payment plans also)
- Given economy, credit criteria is strict.

Some lenders began offering private loans with the parent or other eligible individual being the borrower



# Payment Possibilities

Other options:

Home equity loans, family savings, prepaid tuition plans, monthly income, student earnings, college savings plans, outside scholarships, tuition exchange (employees of participating institutions only), military benefits (ROTC, GI bill, etc.), athletic scholarships (Division I and II only)



# Questions & Answers

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*Thank you!!*



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